

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 10289 191930Z

73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 XMB-02 IO-13 L-03 SS-15

NSC-05 /088 W

----- 128527

R 191804Z OCT 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 2145

INFO ALL EC CAPITALS 2626

C O N F I D E N T I A L EC BRUSSELS 10289

E.O. 11652: GDS

TAGS: EFIN, EEC, UK

SUBJECT: EC ROLE IN STERLING PROBLEM

REF: EC BRUSSELS 9905

1. IN VIEW OF SPATE OF PRESS REPORTS SUGGESTING THAT COMMISSION WAS CONTEMPLATING ORE ACTIVE ROLE VIS-A-VIS STERLING THAN DESCRIBED IN REFTEL, WE TALKED WITH TRAPPENIERS (SIMONET CHEF DE CABINET) AND FROSCHMAIER (HAFERKAMP CHEF DE CABINET) ON SUBJECT: PLEASED PROTECT BOTH SOURCES.

2. TRAPPENIERS WAS APPROACHED BECAUSE OF PRESS REPORTS THAT SIMONET AND HEALEY HAD DISCUSSED A POSSIBLE UK BORROWING THROUGH EC IN LONDON DURING SIMONET'S RECENT VISIT. TRAPPENIERS WOULD NOT SAY WHETHER SUCH A DISCUSSION TOOK PLACE, BUT SAID HE FELT U.K. MIGHT WELL APPLY FOR AN EC LOAN. EC OUGHT TO, AND PROBABLY WOULD, RESPOND POSITIVELY. U.K., HE SUGGESTED, WAS NO LONGER SO SURE THAT THE IMF DRAWING WOULD BE FULLY ADEQUATE. HE FELT COUNCIL WOULD PROBABLY AGREE TO INCREASE IN CEILING ON COMMUNITY BORROWING FACILITY. THE GERMANS, HE SAID, OUGHT TO AGREE TO, SAY, A DOUBLING OF THE PRESENT \$3 BILLION CEILING, GIVEN THAT THEIR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 10289 191930Z

LIABILITY IN THE COMMUNITY LOAN WOULD BE CONSIDERABLY

LESS THAN THEIR AGREED QUOTA IN THE OECD FINANCIAL SUPPORT FUND, WHICH WAS NOT NOT LIKELY TO BE OPERATIVE AT LEAST FOR THE TIME BEING. TRAPPENIERS FELT TIMING OF BRITISH REQUEST WOULD DEPEND ON WHEN PRESSURE MIGHT RECUR ON STERLING, BUT THAT IT MIGHT OCCUR AS EARLY AS THE NOVEMBER COUNCIL MEETING.

3. FROSCHMAIER, HOWEVER, GAVE STRONG CONFIRMATION OF OUR PREVIOUS REPORT THAT EC COMMISSION WAS NOT LIKELY TO HAVE MAJOR ROLE REGARDING STERLING. PRESS REPORTS TO CONTRARY WERE WITHOUT FOUNDATION. HE HAD BEEN UNABLE TO TRACK DOWN ANY SOURCE OF SUCH RUMORS WITHIN THE COMMISSION. COMMISSION HAD NOT DISCUSSED THE POSSIBILITY OF EC FINANCING FOR U.K. WITH BRITISH AUTHORITIES, AND HE HAD NO INDICATION THAT U.K. WAS CONTEMPLATING SUCH A REQUEST. (ACCORDING TO FROSCHMAIER, DIRECTOR GENERAL MOSCA WAS PRESENT AT SIMONET MEETING WITH HEALEY, AND THERE WAS NO DISCUSSION OF EC FINANCING FOR U.K.) HE UNDERSTOOD GERMAN POSITION TO BE FIRMLY AGAINST ANY EXPANSION OF EC BORROWING FACILITY FOR U.K., AND HE HIMSELF FELT THAT U.K. DID NOT NEED, AND SHOULD NOT GET, ADDITIONAL FINANCING THROUGH EC. WHAT WAS NECESSARY WAS THAT THE U.K. ADOPT POLICIES TO ENABLE IT TO LIVE WITHIN ITS MEANS, AND ADDITIONAL FINANCING MIGHT WELL WEAKEN BRITISH RESOLVE AND DISCIPLINE.

4. BOTH SOURCES EXPRESSED CONCERN OVE POSSIBILITY THAT U.K. MIGHT TRY SOME FORM OF IMPORT RESTRICTIONS, ALTHOUGH NEITHER THOUGHT SUCH A MOVE WAS NECESSARILY IMMINENT. THE COMMISSION WAS EXERTING ITS INFLUENCE AGAINST RESTRICTIONS, BUT, IN PRACITICAL TERMS, THEY COULD ONLY EXPRESS DISAPPROVAL SHOULD BRITISH DECIDE TO TAKE SUCH A STEP. (IT WAS FELT THAT THE U.K. WOULD SIMPLY INVOKE ARTICLE 109 WHICH GIVES MEMBER STATES THE RIGHT TO TAKE EMERGENCY SAFEGUARD MEASURES.)

5. COMMENT: WE TEND TO BELIEVE THAT FROSCHMAIER'S POSITION IS PRESENTLY PREDOMINANT AT THE COMMISSION, AND TRAPPENIERS MAY HAVE BEEN ENGAGING IN SOME WISHFUL THINKING. HOWEVER, THERE ARE CLEARLY SOME ELEMENTS IN THE COMMISSION THAT WOULD LIKE TO GET IN ON THE ACT, GIVEN THE OPPORTUNITY.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 10289 191930Z

MORRIS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REGIONAL ORGANIZATIONS, LOANS, CURRENCY STABILITY, STERLING (CURRENCY)
Control Number: n/a
Copy: SINGLE
Draft Date: 19 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU10289
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760392-0981
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761039/aaaabgwy.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 9905
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2004 by ElyME>; APPROVED <07 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC ROLE IN STERLING PROBLEM
TAGS: EFIN, UK, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006